

Message Text

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ORIGIN XMB-04

INFO OCT-01 AF-06 ISO-00 EB-07 AID-05 TRSE-00 COME-00

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66615

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R 032327Z FEB 76

FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA

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E.O. 11652:N/A

TAGS: EGEN

SUBJECT: INGA-SHABA EHVDC TRANSMISSION LINE

REF:(A) STATE 011926, (B) KINSHASA 0611

1. ON JANUARY 29 A MORRISON-KNUDSEN (MK) DELEGATION
COMPRISED OF BILL MCMURREN, PRESIDENT, L. NEAL SPENCER,
EXECUTIVE V.P. , NEVILLE ADAMS, PROJECT DIRECTOR, AND
GEORGE ANDREWS, WASHINGTON REP. VISITED EXIMBANK TO DISCUSS
INGA-SHABA LINE. MCMURRAN NOTED ALL DOLLAR COST AND MOST OF
LOCAL COST LOAN FUNDS HAVE BEEN DRAWN, YET PROJECT CAN
CONTINUE ON REDUCED EFFORT BASIS UNTIL JUNE 1 WITH FUNDS
ON HAND. ON THAT DATE DOLS 22 MILLION OF DEFERRED PAYMENTS
TO U.S. SUPPLIERS, CURRENTLY GUARANTEED BY MK, FALL DUE.
THIS EQUIPMENT IS LARGELY TAILORED FOR PROJECT AND HAS LITTLE
RESALE VALUE. MCMURRAN DESCRIBED FOUR MONTH STRETCH OUT
AS EFFORT TO BUY TIME TO PERMIT REQUESTED EXIMBANK COST
OVER-RUN ASSISTANCE TO BE APPROVED AND IN POSITION WHERE
FINANCING COULD BE DRAWN DOWN. HE EXPRESSED HOPE NEW CREDITS
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WOULD, IN FACT, BE AVAILABLE WELL AHEAD OF JUNE 1 DEADLINE;

OTHERWISE, MK BOARD OF DIRECTORS WOULD BECOME VERY CONCERNED ABOUT FIRM'S DOLS 22 MILLION GUARANTEE. CLEAR IMPLICATION WAS THAT MK WILL CLOSE PROJECT DOWN AROUND JUNE 1 IF ADDITIONAL FINANCING UNAVAILABLE AND COULD CONSIDER EARLIER TERMINATION IF THEY BECAME CONVINCED OVER-RUN ASSISTANCE NOT FORTHCOMING. ADAMS STATED ITALIANS AND SWEDES HAD ACCEPTED PROMISSORY NOTES FOR ALL THEIR INGA-SHABA OVER-RUN COSTS, AND ITALIANS HAD EVEN DONE SO FOR CASH PAYMENT ON SHABA 220 KV GRID PROJECT PERMITTING LATTER TO MOVE FORWARD WITH FULL CONSTRUCTION EFFORT.

2. EXIMABNK OFFICIALS ASSURED MK THAT OVER-RUN APPLICATION BEING GIVEN HIGH PRIORITY AND THAT BANK'S ATTITUDE WAS TO CONTINUE SUPPORT FOR PROJECT ASSUMING IT POSSIBLE TO MEET BASIC REPAYMENT CRITERIA. IN THIS REGARD, EXIMABNK ENCOURAGED ON INITIAL GOZ REACTION TO BANK'S JANUARY 15 LETTER (REF. B). IN ORDER TO SPEED PROCESSING OVER-RUN APPLICATION EXIMBANK REQUESTS EMBASSY ASAP: (1) OBTAIN SIGNED GOZ REPLY TO JANUARY 15 LETTER, AND (2) REQUEST FINANCE MINISTRY TO TELEX IBRD ATTENTION STEPHEN SCHOTT, LOAN OFFICER, GRANTING PERMISSION FOR EXIMBANK TO EXAMINE DOCUMENTS RELATING TO DETAILS IBRD SET ASIDE ARRANGEMENTS FOR PAYMENT ITS DEBT SERVICE ON CREDIT FOR GECAMINES EXPANSION PROGRAM. EXIMBANK KNOWLEDGE OF MECHANICS IBRD SET ASIDE WILL ENABLE BANK TO MORE RAPIDLY STRUCTURE ITS OWN SYSTEM FOR INGA-SHABA EXPOSURE.

3. IF EMBASSY HAS NOT ALREADY DONE SO, EXIMBANK BELIEVES AT APPROPRIATE TIME GOZ SHOULD BE ADVISED THAT BANK, WHILE WILLING TO ADDRESS U.S. OVER-RUN COSTS, NOT PREPARED TO APPROVE:(1) ANY OVER-RUN CREDIT AT ORIGINAL 6 PERCENT INTEREST RATE (CURRENT RATE SCHEDULE WOULD CALL FOR 9.5 PERCENT ON ADDITIONAL AMOUNT),(2) LOCAL COST GUARANTEE AS THIS PROGRAM NOT CURRENTLY IN USE.
INGERSOLL

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Message Attributes

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Draft Date: 03 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Authority: morefirh
Disposition Case Number: n/a
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